

St/I/R

14 May 1957

THRU : Chief, D/S

Chief, S/TF

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Request for priority reporting by [REDACTED] on Egyptian Attempts to Discount Credit Balances in Sino-Soviet Bloc Currencies for Free World Currencies.

Since the nationalization of the Suez Canal in July 1956 and the subsequent freezing of Egyptian assets in European and U.S. banks, Egypt has become desperately short of foreign exchange. Furthermore, over the past few years Egypt has developed a sizeable surplus in its balance of trade with the Sino-Soviet Bloc, not all of which has been compensated for by remittal of services and currencies from the bloc.

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[REDACTED] informed U.S. Embassy officials that, excluding armaments agreements Egypt held net credit balances against the bloc which amounted to the equivalent of approximately \$28 million.

In view of these circumstances, and with the knowledge that some bloc countries have attempted to settle their debts to Egypt with shipments of goods purchased from western countries, it seems probable that Egypt may attempt to purchase western goods or currencies by discounting its bloc credit balances. Reports of such activities with details concerning terms offered (amount of discount, sum involved) are urgently needed by ORR.

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